

VA Update on Flint, Michigan Water Contamination

1. Purpose. This Circular provides guidance on the Department of Veterans Affairs' (VA) Minimum Property Requirements (MPRs) as a result of the emergency declaration in Genesee County, Michigan due to water contamination.

2. Policy. In accordance with Chapter 12, Section 3 of the [VA Lender's Handbook](#), each property which will become the security for a VA-guaranteed loan must have: "A continuing supply of safe and potable water for drinking and other household uses." VA considers this to mean safe and potable water for bathing, showering and sanitary uses. Properties not in compliance with this MPR will not be eligible for VA guaranty.

3. Action. Proper mitigation of lead contaminated water must include a central filtering system which filters all water that could come in contact with the property's occupants. The central filtration system must be acceptable to the local health authority and when properly maintained, provide safe, potable water. Information about filtration systems that reduce the amount of lead in a residential water system can be found here: <http://www.nsf.org/newsroom/consumer-guide-to-nsf-international-certified-lead-filtration-devices>. Veterans and their families are encouraged to follow the manufacturer's guidelines for the maintenance, inspection, and repair of the filtering system.

a. Appraisers must comment and adjust for any market reaction discovered as a result of the water contamination, as well as any environmental stigma that may be attached to these properties, as appropriate. Appraisers must note if the subject property is connected to the Flint, Michigan water district and whether a filtration system is present. If an appraiser indicates that a property does not meet the MPRs, it must be repaired.

b. Lenders will condition the Notice of Value (NOV) on all properties that are connected to the Flint, Michigan water district for Water System Acceptability (item 5a), and if the filtration system is called out for repair (item 10). Certification of the filter system must be completed by a licensed plumber or local government building/utility inspector. Evidence that the water is safe and potable must be provided prior to loan guaranty.

c. The lender will also require an acknowledgement stating that the Veteran is aware the municipal water system is contaminated with lead and that the home contains a central water filtration system. In order for this to be effective, the system must be inspected and maintained to include filter replacements per the manufacturers' recommendations.

d. VA liquidation appraisals will still be conditioned "As Is" and any MPR items should be noted in the report.

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4. Interest Rate Reduction Refinance Loans (IRRRLs). If the lender normally requires an appraisal due to investor requirements, VA will require a lender to follow the guidelines listed in Section 3. If an appraisal is not ordered, a water test must show that the property does meet the MPRs for safe and potable water.

5. Rescission. This Circular is rescinded April 1, 2018.

By Direction of the Under Secretary for Benefits

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